

STATEMENT

OF

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**BEFORE THE
HOUSE COMMITTEE ON FINANCIAL SERVICES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**

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STATEMENT OF RHONDA MACLEAN

Chairwoman Kelly, Ranking Member Gutierrez and members of the Subcommittee, thank you for inviting me here today to testify at this hearing on “Government and Industry Efforts to Protect Our Money During Blackouts, Hurricanes, and Other Disasters.” I am honored to appear today to speak on behalf of the financial services sector in my role as the Department of Treasury-appointed private-sector coordinator for critical infrastructure protection.

My name is Rhonda MacLean. I am a Senior Vice President at Bank of America Corporation responsible for Corporate Information Security. My responsibilities also include serving as a member of the Bank of America Business Continuity Executive Team. This executive team oversees business continuity at Bank of America and acts as the senior management team when a major disaster recovery response has been activated.

Before joining Bank of America in 1996, I worked for The Boeing Company for 14 years, and as the senior manager for computer and communications security, I was responsible for all commercial airplane and government information security initiatives. I have served in a number of external advisory roles and in professional activities related to information security; I currently serve on the University of North Carolina – Charlotte, Board of Advisors for the College of Information Technology. My sector coordinator appointment does not involve receiving any federal funds.

Today, I plan to provide you with brief background on the financial services industry’s involvement in critical infrastructure protection and the current work of our Financial Services Sector Coordinating Council. Also, I will describe, at the sector level, how the federal government and industry are working together to protect and respond in a coordinated manner to events that could affect operations of critical financial services provided by our sector. At all levels across our sector, including executive leadership, operations personnel, our trade associations, and professional institutes, and our customers, we are acutely aware of the new global realities and the importance of the vital financial services we provide globally to the nation and our customers.

Historical Perspective

During the past six years, elements of U.S. government policy and initiatives have increasingly focused on infrastructure protection. Encouraging an active public-private partnership has been a hallmark of their strategy.

Historically, the financial services sector has been a leader in addressing the challenges associated with operating the vast array of information technology and processing inherent throughout the financial services industry and infrastructure. Vigilance and the dedication of significant resources, over time, have allowed us to develop a wealth of expertise, experience and talent to address issues of security, risk management, disaster preparedness and business continuity.

To address the many recommendations proposed in the President's Commission on Critical Infrastructure Protection report, an action plan was developed in May 1998: the Presidential Decision Directive (PDD) 63. The primary banking and finance sector goal established in PDD-63 was to ensure the orderly functioning of the economy and the delivery of essential services.

The events of September 11, 2001, and the creation of the Department of Homeland Security in 2002 further increased focused efforts toward preparing for events that could impede orderly operations of the nation's financial systems.

In April 2003, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Securities and Exchange Commission issued the "Interagency Paper on Sound Practices to Strengthen the Resilience of the U.S. Financial System." This paper identified sound practices focused on minimizing the immediate systemic effects of a wide-scale disruption on critical financial markets.

Let me discuss how our sector-level critical infrastructure protection efforts have evolved over the last year.

Financial Services Sector Coordinating Council

At the time of my appointment, no single entity represented the financial services sector. Individual associations were effectively working on their members' behalf to provide tools and resources necessary to enhance infrastructure protection. The associations and their members have provided much leadership for our sector and have done outstanding work in various areas, including crisis management efforts, "good practices" knowledge sharing, business continuity practices, and education and awareness initiatives.

Immediately after my appointment as sector coordinator by the Treasury in May 2002, we began forming the Financial Services Sector Coordinating Council, with the public sector's support and encouragement, and with the Treasury's leadership. I want to recognize Treasury Assistant Secretary Wayne Abernathy and Deputy Assistant Secretary Michael Dawson for their instrumental leadership in promoting and supporting an effective public-private sector partnership that is serving as a model for other sectors. Our Council members and their organizations, highly value the contributions they are making.

The council consists of the primary organizations that, through their constituencies, represent the majority of the financial services sector. These include key national

exchanges; clearing organizations; trade associations in the banking, securities, bond, and insurance segments of our industry; and key professional institutes.

Today, 25 organizations, listed below, are working together on behalf of their constituencies to identify and coordinate strategic initiatives for improving critical infrastructure protection for our sector and with the other sectors upon which we depend. The council is a limited liability corporation that has been institutionalized to carry on the sector's work long after my tenure as sector coordinator is completed. Through our council members, we engage nearly all financial services sector institutions, exchanges and utilities.



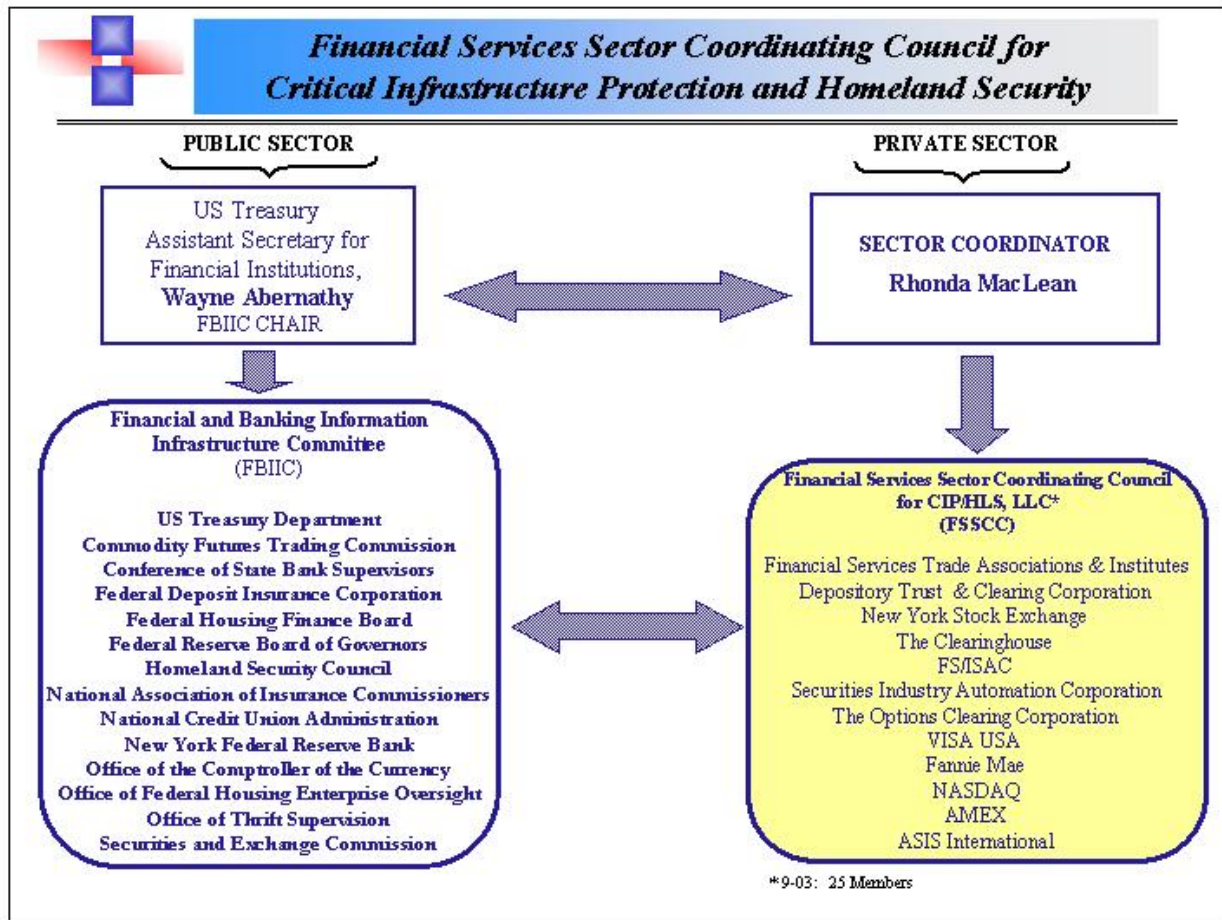
**Financial Services Sector Coordinating Council for
Critical Infrastructure Protection and Homeland Security**

Members

- **ABA** – American Bankers Association
- **ACLI** – American Council of Life Insurers
- **ASIS** – American Society for Industrial Security- ASIS International
- **ACB** – America's Community Bankers
- **BAI** – Bank Administration Institute
- **BITS/FSR** – BITS and The Financial Services Roundtable
- **CUNA** – Credit Union National Association
- **Fannie Mae**
- **CBA** – Consumer Bankers Association
- **FS/ISAC** – Financial Services Information Sharing and Analysis Center
- **FIA** – Futures Industry Association
- **ICBA** – Independent Community Bankers of America
- **ICI** – Investment Company Institute
- **MFA** – Managed Funds Association
- **NASD** – NASD, Inc.
- **NASDAQ** – NASDAQ Stock Market, Inc.
- **NAFCU** – National Association of Federal Credit Unions
- **NACHA** – National Automated Clearinghouse Association
- **SIA** – Securities Industry Association
- **SIAC/NYSE** – Securities Industry Automation Corporation
- **The BMA** – The Bond Market Association
- **The Clearing House**
- **The OCC** – The Options Clearing Corporation
- **VISA** - VISA USA, Inc.

At the sector level, this is an example of 'macro' collective leadership being taken to address the new realities. Through this collective leadership and collaboration, we are leveraging the work being performed across the sector for the benefit of the "common good" of our industry. Other national critical infrastructure sectors are examining the council model and approach being taken by our sector.

This council provides an efficient approach for coordinating the efforts of the many, diverse participants that comprise our industry sector. Additionally, we have an opportunity for direct dialogue on common issues and challenges with a corresponding group within the public sector, the Financial and Banking Information Infrastructure Committee (FBIIC), chaired by the Treasury Department. The result is an emerging agreement on strategic initiatives we believe will improve infrastructure protection and homeland security.



The council's work currently focuses on five strategic areas. Our approach is to leverage the work our member organizations have already accomplished to achieve our objectives. Council members are taking primary leadership roles in these areas based on their natural areas of expertise.

Information Dissemination and Information Sharing – The goals are to both ensure a universal service to disseminate trusted and timely information will be available to all sector participants; and to increase knowledge about physical and cyber security operational risks faced by the financial services sector. A major focus of our current sector efforts is toward enhancing the needed services provided by our sector's ISAC. Under the Department of Treasury's leadership additional funding is being obtained to assist in the enhancements of the next generation ISAC, bringing increased service and functionality that will meet the diverse needs of the sector. This partnership has been instrumental in helping the sector reach our goals.

As an interim step in ensuring we are able to reach the breadth of the sector with urgent alerts and warnings, the Financial Services Sector Coordinating Council, has implemented through the Council member associations the distribution of the important

alerts. In the last two quarters we have gone from approximately 70 financial institutions receiving this important information to over 8,000 today. This is a significant step forward in our goal to ensure trusted timely information dissemination.

In addition, comprehensive marketing strategy to promote awareness and active participation by all members of the Financial Sector is in process with a major campaign scheduled to begin the 1st quarter of 2004.

Crisis and Response Management – When events occur with broad sector or national impact, a planned and adopted approach for sector-wide crisis management coordination must exist, including coordination with government entities. Our efforts focus on improving the ability to communicate and respond as a sector when such events occur.

The Council uses a “Crisis Communicator” capability that allows Council members to convene in times of emergency. You will hear more about how this process combined with other communication processes that support sector and cross-sector communications.

Sector and Cross Sector Outreach – It is important for each organization to determine how to optimally support and commit efforts for achieving the goals of the executive orders and national strategies. We are developing a strategy for sector-wide outreach on homeland security and critical infrastructure protection initiatives that includes regional forums we are conducting jointly with the FBIIC. This effort, coordinated by the Federal Deposit Insurance Corporation (FDIC), has already occurred in four cities this year; Chicago, Dallas, San Francisco, and Los Angeles, and twenty more similar events are being planned for completion by the end of next year. The Council members also provide leadership and support to various regional business continuity initiatives such as the Chicago First group and the New York Office of Emergency Management.

Knowledge Sharing - Best Practices – There are numerous “lessons learned” activities and knowledge sharing of “good practices” within various trade associations and among institutions and government entities. We are developing an organized repository to provide this information to authorized institutions and individuals.

National Strategy – We are also leading the sector’s effort to revise our sector’s “national strategy” document in response to the two national strategies President Bush released in February. Our strategies are focused on “The Physical Protection of Critical Infrastructures and Key Assets” and “Securing Cyberspace.” This is our opportunity to define strategic as well as tactical, actionable and measurable programming, to direct and advance our sector-wide critical infrastructure and homeland security efforts and to address recommendations outlined in the national documents’ strategies referenced above.

In my role as Chairperson for the Sector Council, I work closely with our lead agency, the Department of Treasury, and the Financial and Banking Information Infrastructure Committee (FBIIC).

Through council members' cooperative efforts, their member institutions, and the strong leadership provided by the Treasury and through FBIIC, we are able to maximize our resources and achieve our objectives to ensure our critical infrastructures are protected, for the benefit of the economy and for all financial services customers.

Increased Cross-sector Coordination

The sector coordinators appointed for the various infrastructures meet together regularly. In addition, the Sector Coordinators work in partnership with Department of Homeland Security (DHS) through the leadership of Undersecretary Frank Libutti. The purpose of these meetings is to focus on cross sector issues, best practices and opportunities to improve overall resiliency for our nation's critical infrastructures. The personal relationships developed among sector coordinators and with DHS had a material benefit during the August Blackout. Additionally, the various sector-level Information Sharing and Analysis Centers (ISACs) are examining ways to better share information among their activities.

Financial Sector Leadership and Preparedness

Following the September 11 tragedy, many financial sector institutions and organizations have reexamined their business continuity preparedness and improved their crisis management coordination and communications. As a practice, each event has offered opportunity to seek continuous improvement in our preparedness.

We have continued a strong partnership with our government partners and continue to get incredible support from the Treasury and other FBIIC members, which enable us to accomplish our strategic objectives. We have had numerous opportunities to share with other sectors and with DHS, the benefits of our model of partnership between the FBIIC and the FSSCC that enables our success.

We have also had numerous opportunities to test our crisis management procedures at a sector level and at the association level. If we examine the August Blackout, which had a larger geographic impact than hurricane Isabel from a power outage perspective, we came through these events beautifully but also with lessons learned. These lessons learned provide opportunity to focus on improving our sector-wide coordination to ensure the ongoing protection of our infrastructure. The Department of Homeland Security, Department of the Treasury, Financial Services Roundtable/BITS, Securities Industry Association, Financial Services Information Sharing and Analysis Center, The Depository Trust & Clearing Corporation, The Bond Market Association, as well as others, were most noteworthy in assessing the situation during this event and coordinating decisions among leaders within our industry.

As sector coordinator, I was able to participate or receive information from each of these activities during conference calls with the groups' leaders. Additionally, because of the close working relationships developed while working together on critical infrastructure protection initiatives, our sector received regular status updates on restoration activities

and timelines from Mr. Michehl Gent, Sector Coordinator for the Electric Power sector and President of the North America Electric Reliability Council (NERC), and his staff. This level of direct communication is invaluable, as efforts occurred to evaluate the situation and plan next steps.

Assistant Secretary of the Treasury Wayne Abernathy and FBIIC members performed a post-blackout review in which a number of private sector organizations participated. Overall, the financial sector business continuity preparedness and wide application of backup generators and systems were able to operate without any significant disruption until power was restored. Many of the details are being covered in my sector colleague's testimony.

Many non-essential personnel were evacuated from affected areas without incident. Most data centers switched over to emergency power, resulting in no disruption to clearing and settlement system activities. Some fuel deliveries occurred during the night to ensure adequate long-term emergency power in the event of a prolonged outage.

With power restored to critical locations before start of business the next day, critical market and clearing and settlement processing occurred without major disruption. Some voice communications were affected, and those issues are being reviewed.

Overall, financial sector institutions' and crisis coordination groups' performance and activities were well-managed and well-coordinated among government and private sector entities. There is always room for continuous improvement, and lessons learned during these events are being acted upon. At the sector-level, we identified opportunities to further improve coordination related to disseminating information and communicating efficiently. For example, a more structured information flow among coordinating activities can minimize redundancy and facilitate timely receipt of information at all levels. Additionally, with multiple conference calls occurring to exchange information, a natural sequencing order could yield better situational awareness at regular intervals. Our sector council is examining these opportunities.

Summary

Chairwoman and Members of the Committee, we believe a strong public/private sector partnership is the right approach. The government and private sector's coordinating efforts during the recent power outage and storms demonstrated the preparedness work done by many organizations has yielded very positive results. These efforts help to further ensure our critical services will be resilient.

Treasury Secretary Snow noted the day following the power outage; "We applaud the initial response of critical financial institutions to the power outage. The men and women who make our markets work did an extraordinary job of ensuring that our financial markets lived up to their reputation as the most resilient in the world."

Thank you for this opportunity to testify.

About the Financial Services Sector Coordinating Council for Critical Information Protection and Homeland (CIP/HLS)

The Financial Services Sector Coordinating Council for CIP/HLS fosters and facilitates financial services sector-wide activities and initiatives designed to improve Critical Infrastructure Protection and Homeland Security. The council was created in June 2002, by the private sector, with recognition from the U.S. Treasury, to coordinate critical infrastructure and homeland security initiatives for the financial services industry. The five major areas of immediate focus for the council include: Effective and Rapid Information Dissemination; Crisis Management and Response Coordination; Outreach and Organizational Engagement; Knowledge Sharing and Best Practices and the National Strategies for Homeland and Cyber Security.

About Bank of America

One of the world's leading financial services companies, Bank of America is committed to making banking work for customers and clients like it never has before. Through innovative technologies and the ingenuity of its people, Bank of America provides individuals, small businesses and commercial, corporate and institutional clients across the United States and around the world new and better ways to manage their financial lives. The company enables customers to do their banking and investing whenever, wherever and however they choose through the nation's largest financial services network, including approximately 4,400 domestic offices and 13,000 ATMs, as well as 30 international offices serving clients in more than 150 countries, and an Internet Web site that provides online banking access to 4 million active users, more than any other bank.